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Confronting the Aftermyth of Seattle: Canada Must Set Key Trade Priorities Now

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We can already discern the outlines of a pervasive and compelling mythology about what did and what did not happen at the WTO meeting in Seattle last December. It is vital that Canada liberate itself from that mythology by seeing those events in the right context, so that we can devise the critical trade strategies we need now.

The WTO matters for Canada. It is our principal trade agreement with the world, and it plays a central role in stabilizing an increasingly volatile global economy. We should be leaders in strengthening the organization, not a speed bump in its path. If the government is to build political support for an activist role in the WTO, it must be linked to issues about which Canadians feel more strongly. It follows that Canada should be seeking to re-position the WTO "brand" in Canada. The WTO should be portrayed as what it is: a leading anti-poverty organization playing a central role in ensuring the full integration of all the world's peoples into the global economy on a fair and equitable basis. It safeguards Canadian sovereignty by ensuring that decisions are made multilaterally in a forum in which Canada has a voice — as opposed to being imposed on us by the power of our trading partners in the US and in Europe. For these reasons, Canada should strive to put into place the following strategic plan:

1. Canada must avoid complacency; the trading system still exists after Seattle, and the WTO is going about its business. But the status quo will not do and is not sustainable. The rules on agriculture are inadequate for us and for many other countries. New rules for e-commerce and other burgeoning areas of the new economy are essential. Without a package, however, progress will be limited, and packages necessitate a "negotiating round" — which is precisely what ministers were trying to launch in Seattle. All Members of the WTO will have to try again after a new American President takes office in January 2001. A package just for the few is neither desirable nor possible.

2. Seattle demonstrated two big things: we face problems with the institutional architecture of global governance; and the public in rich countries is worried about democratic accountability and decisions surrounding globalization. It would be folly to confuse globalization and the WTO. Policy did not create globalization, but governments must manage the consequences. They cannot do it alone: working together depends on the WTO.

3. The Canadian "post-Seattle" challenge is crystallizing on a clear question: Do we force the WTO to become the central institution for the global economy, or do we insist that it concentrate on its core responsibilities while ensuring that it work closely with other economic and social international organizations? Trade ministers are grappling with this problem now; Presidents and Prime Ministers will have to confront it at the G-8 Summit

in Japan this summer. The answer is simple: the WTO should remain focussed. The WTO secretariat is too small, too specialized and too busy to make all world microeconomic policy. If it did, trade ministers would have to be joined by ministers for the environment, social affairs, industry and culture, as well as ministers of Finance, at a minimum. A system that came close to paralysis in Seattle would, in these circumstances, simply collapse.

4. The WTO is about both trade liberalization and policy reconciliation. It is the place where we discuss how our domestic regulations can be made compatible with those of other countries. When technology erodes our old barriers, it is ridiculous for Canada to think we can insist on complete autonomy in devising new regulations, while insisting that other countries respect our moral preferences in devising their own policy framework. If, for example, labour and environmental standards in all countries matter, and if they are a legitimate subject for international oversight, then they matter all the time, and not merely when things cross a border.

5. Canada can do well by doing good. We need the WTO for our relations with the US and other OECD countries, and we also need it for developing countries in the interests of justice and our future markets. So what do we over the next year to ensure this longer term goal? Pierre Pettigrew, the Minister for International Trade, is doing the right things to re-build confidence in the system and to build the basis for new negotiations. The Uruguay Round is over — a new round will need its own justification beyond leftover commitments from the last one. We do need a new round to strengthen the WTO, to help it play a greater role in development, and to respond to civil society. A reinvigorated WTO with new focus on main tasks and better coordination with other international organizations could make a better contribution to development and to maintaining the balance between openness and community, so fragile in an era of globalization. The key issues will be agriculture, textiles, industrial tariffs, services, and the role of science.

6. Agriculture remains a central issue for Canada and for a new round. The negotiations mandated by the Uruguay Round have begun, but little progress is expected until farming can be placed in a broader package. In an eventual round, we should try to strengthen and extend the framework developed in the Uruguay Round, which requires a balanced approach to reducing domestic support for farmers and border measures that limit imports, while still moving toward the elimination of export subsidies. The heart of the agreement is the so-called Green-Box, a provision that allows countries to help their own farmers in ways that do not hurt farmers in other countries. The goal is gradual change in the structure of policies that support farmers and the rural community in a way that allows people to adjust. In the Uruguay Round, Canadians hoped we could have our cake and eat it too. We were with the Cairns Group of self-styled "fair traders" in wanting discipline on export subsidies, and we stood alone in wanting what we called a clarification of the rules applicable to our supply management programs. Last time, compromises had to be made between the interests of farmers and other Canadians, and compromises had to be made within the agricultural sector. Some of those compromises were made so late that we had no time to engage in real negotiations with our partners. It is in this area that Canadian governments, industry, agriculture, consumers, and trade unions must address key national questions such as: How far do we want to go in

protecting supply management? Does the Wheat Board serve the interests of all Canadians? Can we enhance the rural community in other ways?

7. It is very much in our national interest to integrate our domestic economic priorities with our international responsibilities. They are not separate issues. In fact, they only produce genuine gains when approached in an integrated way. We have to be generous, working with other major traders, in allowing increased access to our markets by the poorest countries. We have to maintain and increase our commitment to providing technical assistance to help developing countries become full participants in the trading system. We must ensure that developing countries see the benefit of the system in becoming active participants, and we must ensure that the key constituencies in OECD countries embrace that same requirement. Breaking the turtle/teamster coalition in American politics, the coalition of activists and unionists who think that the US Congress can legislate good environmental and labour practices for the world, is thus essential. Developing countries need the WTO agreement because of, for example, protectionist North American unions who use their political clout to protect low-wage unskilled jobs at home — jobs that workers in developing countries can also do — rather than insisting on better education and training at home.

8. Trade policy is foreign policy. We must think about the architecture of the system, in which sovereign states are still a central locus of political authority but in which many other actors, including firms and international organizations, also play an important role in global governance. The architecture must be open, inclusive, transparent and effective. War is not an immediate prospect, but conflict is always possible, notably in agriculture. Justice requires the full integration of all countries, starting with the least developed, rather than leaving them for later. Multilateral institutions of global governance are more vital than ever but, paradoxically, they are more feared. The drama in the streets of Seattle aroused an unprecedented degree of public interest in an international economic event, yet the real work of the WTO remains as obscure as it was before. The losers in Seattle were the world's poor, and everyone who wants to develop the human dimension of globalization. The broken windows and tear gas were easily cleared from the Seattle battlefield; repairing the damage to the trading system will take longer. It will require a renewed attempt to balance the needs for development, civil society engagement and systemic governance while maintaining and expanding an open-rules-based trading system. It will require attention to old issues and learning about the new problems of policy adaptation to a rapidly evolving world economy.

9. Canada must play a leadership role, as it has in the past. Leadership in the trading system can be based on using the weight of a large market — something we cannot do. Leadership can also be based on ideas, as Canadians have shown for decades in the trading system. (The WTO itself arose from a Canadian proposal.) Pierre Pettigrew's suggestion at Seattle of a WTO working party on globalization, and his subsequent consultations on how to ensure coherence among international organizations, are steps in the right direction.

Underlying Analysis: Five Battles

The suggestions above are based on an underlying analysis of what happened in Seattle. The so-called "Battle of Seattle" was in actuality five separate engagements:

1) As in the Kennedy, Tokyo and Uruguay Rounds, the traditional **transatlantic** dispute over the role of the market was expressed as a fight about agriculture;
2) The equally venerable **North-South** dispute, present since the 1950s but exacerbated in an organization with 136 members, focussed on implementation of existing agreements;
3) The new and painfully visible dispute with **civil society** groups who often deny or cast doubt on the legitimacy of the enterprise, took place in the street;
4) The most intractable battle of all, one between small and large members, or insiders and outsiders, was an **institutional** fight within the meeting itself; and finally,
5) The most transitory yet consequential battle — that between the contending forces of **American domestic politics** — was expressed in comments by President Clinton made with an eye on American elections.

The first three fights were based on differing views of the trading system, exacerbated by the fourth, the organization's continuing institutional weakness, and the fifth, which illustrated a growing problem in the US in providing multilateral leadership. The fact that the WTO Ministerial was in Seattle should serve as a reminder that the United States is not only the biggest WTO member, but also that the WTO is that country's most important trade agreement. Those Canadian protestors in Seattle who wanted to stop the WTO were asking the wrong question. The WTO did not start globalization, nor would its demise end the process. The right question is whether the WTO helps mediate the effects of globalization, especially for a relatively small, open country living next to the world's dominant economy.

What the WTO Is and Is Not

The WTO is a process not a destination. The Uruguay Round (1986-1994), a major achievement in postwar international economic relations that concluded with the creation of the WTO, was not the end of history for the trading system. It left many things to one side, among them important items now included on the so-called built-in agenda. Tensions are emerging both because of flaws in the structure and because of the rapid pace of global change. The WTO Agreement is not a "negative list" that covers everything not explicity excluded. It is instead a "positive list," since it applies only to those tradable items covered by the rules and mentioned explicity in the "schedules" of market access commitments submitted by Members. The WTO must keep adding to this positive list as the world economy changes and expands. Things not on this list, such as the rapidly evolving domain of electronic commerce, are effectively outside the system. Two separate things go on in WTO: contractually agreed trade liberalization, seen as important and good in its own right; and, policy reconciliation. The need for the second is sometimes occasioned by the first, but is more often needed because of change in the global marketplace, not policy change. The WTO adds new issues to its negotiating agenda as quickly as they are observed both to avoid conflict among states, and to ensure that obstructions to trade do not become obstructions to growth for individual countries and for the world economy.

History Discourages Sensationalism

One reason that Seattle was not a debacle is that these setbacks in the trade negotiations arena are common, notably during the Uruguay Round. The early steps toward new negotiations were taken at the GATT Ministerial of 1982, but that meeting ended in failure. The Uruguay Round was finally launched in 1986 after four years of trying, but only with an eleventh hour fudge in Punta del Este on agriculture and a compromise with Brazil and India under which discussion of trade in services was split from the main negotiations. The Montreal Ministerial Review meeting in 1988 collapsed, as did the Brussels Ministerial of 1990, both because of farming. Trade negotiations are always complex, fractious, and time consuming. Everyone hoped that the creation of a new institutional structure in the WTO would make the process easier. Clearly that task also remains incomplete.

Key Conclusions

Each of the five battles in Seattle contributed to the failure of the Ministerial. If this diagnosis is correct, efforts to generate new momentum in the trading system must address the source of the difficulty in each area.

American Ambiguity

Many people who were present claim that the Americans did not advocate a systemic interest in Seattle. American leaders seemed distracted by domestic politics and uncertain about whether their policy should be determined by special interests (e.g. the steel industry), trade unions, civil society, or multinational services firms. The consequences of this American ambiguity and in some cases disarray were obvious in the street of Seattle, but the consequences were also obvious inside the hall, where they were more serious. President Clinton's visit to Seattle was a campaign stop that, in itself, disrupted the meeting. His speech to the Ministerial, a domestically-oriented effort, was a source of conflict exacerbated by his ill-judged remarks to the reporters later, in which he talked about using trade sanctions to enforce labour rights. While that ideas appeals to American unionists, it enrages politicians from developing countries, who take a different view of the social implications of global trade. Foreign leaders may not vote in American elections, but union leaders do not vote in the WTO. The inability of Washington to define general objectives for the meeting, part of a general sense of drift with respect to multilateral economic cooperation, resulted in weak leadership from the American hosts.

Difficulties in this pre-election period make it unlikely that the US can play much of a leadership role until after the next President takes office in 2001. In the interim, how should Canada focus its trade efforts bilaterally, regionally, or in the WTO? Do we try to create vehicles for collective leadership, accept the multilateralism will go slow for now while finding other ways to work with more distant trading partners, or pursue our economic interests directly with the Americans? Canada should ensure that regional agreements contribute to multilateralism, but we should not be diverted by them. The WTO serves as Canada's basic trade agreement with all our trading partners, ensuring that Canadian firms face one coherent set of rules governing trade. Since firms in other countries face the same rules, decisions about investment in Canada are less distorted by trade barriers elsewhere. No other forum is sufficiently comprehensive in membership or sectoral coverage. We benefit

from our proximity to the US market, but geography alone does not determine our access to the US market, and many obstacles we now face are ones we share with other countries. Since so many of our exports to the US end up in commodities they then export to the rest of the world, open markets for them mean open markets for us. What we do not want is for the Americans to turn their back on the WTO, or to negotiate a series of deals that do not include us, or be so distracted by debates over multiplying regional deals that the WTO suffers. Ensuring a strong multilateral trading system serves our broad economic and foreign policy interests.

Overall, Canada is doing very well in the US market, but the current American temptation to retreat within a territorially-defined perimeter (e.g. in issues relating to terrorism, immigration and the social consequences of trade) could pose difficulties. Worse, if the Congress perceives the WTO to be fatally damaged (even if by American-inflicted wounds), the political effort to complete China's accession to the WTO might not be sustainable. We need to consider how best to expand our trade with developing and transition countries — the most likely source of significant growth for the world and North American economies. If we do not want to let the Americans negotiate with the world on our behalf, we have to ensure a vibrant WTO.

The Battle of the Atlantic

Despite all of the other difficulties, ministers in Seattle might well have been able to launch a new round had there been agreement among the largest participants in the trading system, the US and the EU. But their relations remained confrontational. The elaboration of the trading system has been slowed by transatlantic battles since Churchill and Roosevelt met in Quebec City in 1941 to draft the Atlantic Charter for postwar reconstruction. The Atlantic countries agree about many things now, but there was considerable conflict in Seattle, symbolized as in the past by agriculture. Farm trade is simply the oldest form of trade in goods, and the slowest to be liberalized in the GATT era. Members of the WTO bound themselves under Article 20 of the Agriculture agreement to begin new negotiations by the end of 1999. If anybody prefers to duck the issue this time, the Peace Clause — Article 13 of the agreement — creates an incentive: it restrains the use of measures like countervail against agricultural subsidies, but only until 2003, four years after the new negotiations were set to begin. The Uruguay Round was a cease-fire in the farm war of the 1980s; it established a framework but nothing more. The war began with skirmishes in the dispute settlement system, but soon subsidies skyrocketed. The relative calm observed since the conclusion of the Uruguay Round has been helped initially by favourable market conditions. Skirmishes are starting again, notably over the role of science-based evidence in food safety and over continuing frustration, especially in the US and in members of the Cairns Group, with the slow pace of reform of the EU's Common Agricultural Policy. The EU and US still differ about whether the goal in agriculture negotiations should be stable markets or an end to export subsidies. That is, should governments manage the process of structural adjustment, or should the market be largely unfettered? (The two sides answer this question in a different way in the domain of competition policy, where the Americans see pressure for new negotiations as a veiled attack on antidumping rules.) Failure to launch a round could mean that when the Peace Clause expires, the farm war will start again. (Paradoxically, the EU Commission might hope for eventual movement in the WTO

negotiations as a means to move member countries toward reform of the Common Agricultural Policy prior to the proposed enlargement of the union to the east.)

Discussion of other new issues was put on hold by failure in Seattle, the most important being electronic commerce. Technology creates the possibility for new digital entities that cross borders. These entities matter for Canadians who want to be able to learn about, to order, and even in some cases take delivery of the best the world has to offer quickly and at a low price. And it matters for our firms who want to be found by and to sell to consumers in other places, while remaining confident of being paid promptly. Free trade in electronic commerce is certainly desirable, but stable and open markets will require some form of regulation. Members of the WTO must first understand what these new entities are before they can discuss how to assimilate them to the norms and principles of the trading system. In this domain, what might national treatment mean? What aspects of the national legal or regulatory framework are hostile to electronic commerce? What essential regulations or social practices, such as a right to privacy, are undermined by such trade? How important is it if the multiple components of a an electronic transaction are governed by different national rules and practices? New WTO rules will emerge as countries grapple with these issues. They must be designed to accommodate the variety of democratic objectives expressed through governments while facilitating the ability of firms, including new firms in small countries, to get on with things.

EU-US issues continue to receive a great deal of attention, as indeed they should given the volume of trade for which they are responsible. A compromise on traditional aspects of agricultural trade was close in Seattle, and should be easy to incorporate in an eventual new round. The same can be said of most of the new issues. The US approach to Seattle was parochial, but Canada too was inward-looking and defensive — even the EU showed more vision. The Japanese were expected to be invisible, and delivered, but "Where is Canada" was a frequent question in the weeks before the meeting. Minister Pettigrew did well at the event, gaining a lot of attention for his skilful chairmanship of the working group on implementation. At Seattle, Canada was a leader on institutional adaptation, and a laggard on contributions to the proposed Quad package of offers for the poorest countries. The Canadian position was ambiguous on agriculture, as it has been for years, and on other older areas in which the issue is reconciling states and markets. The larger difficulty among the advanced economies will be the role of science, for example in food safety. But the real problems in the WTO are elsewhere.

The Battles with Civil Society

The fact that the WTO process stalled at the same time as protestors battled police in the streets is an interesting coincidence, but the causal link may not be particularly significant. The battles in the streets and the ones inside the meeting room were not directly connected. The greatest danger after Seattle is believing the myths by over-reacting to the apparent civil society challenge to the WTO. That does not mean the WTO is now as democratic as it should be, but it does mean that we should resist the trend to seeing the WTO as a master agreement that can regulate all domains of life.

The general public seems to believe that the protestors were right. Despite valiant efforts to tell the trade story, and poll results that suggest strong public support for trade

negotiations, most people paid no attention until the riots, and then were disinclined to believe governments. It is surely right to say that Seattle was in part the Woodstock of the 1990s, but to leave it there would trivialize an important political event. The challenge is to determine the political significance of Seattle rather than accept the claims of participants at face value. The Seattle protests were very worrying, but not for reasons the activists would set out. The source of the protest had little to do with what actually happens at the WTO (except in the case of protectionist trade unionists) and a lot to do with a growing perception, within the Atlantic area at least, that all our large organizations cannot be trusted, especially governments, and that consequential decisions that affect our lives are taken by people for whom we did not vote. It is vital that citizens be able to see and understand what their governments are doing in the WTO, but nothing the WTO can do will restore citizens' trust of their governments. That process must begin at home.

The Battle at Home

Demonstrators in the streets of Seattle and developing countries inside the meeting hall had at least one thing in common — they wanted a seat at The Table. International organizations have plenty of tables, but it is mistake to assume that the WTO has one real Table at which everything is decided — 136 Countries cannot effectively debate contentious issues. The WTO provides the forum for negotiations among its Members concerning their multilateral trade relations, and the institutional framework for the implementation of the results of such negotiations. It is, in other words, a permanent conversation among the Members that takes place in a bewildering variety of formal and informal settings. The WTO governing body, holder of all decision-making authority, is the Ministerial Conference, composed of representatives of all Members. Its biennial meetings were meant to give the WTO the kind of regular political guidance that the GATT lacked. The first two Ministerial Conferences in Singapore (1996) and Geneva (1998) did force the pace of WTO work, but it is now obvious that the Ministerial Conference cannot provide the necessary leadership and coordination to the vast and diffuse WTO process. Rather than ending the WTO practice of holding biennial Ministerials, these weaknesses might be better addressed with more and more public engagement with the creation of a WTO consultative committee, much like the old Interim Committee of the IMF — an old idea whose time has surely come again. The creation of the WTO as a formal international organization in 1995 was a major achievement of the Uruguay Round but, clearly, more work is needed to strengthen its bureaucracy, enhance the role of ministers, and ensure that the public understands what is going on.

North-South Tensions

The final battle in Seattle was a traditional North-South conflict, with a twist. With the creation of the WTO in 1995, developing countries are now inside the system demanding that it be made to work as promised. An essential aspect of any new round must be the full integration of all states into the trading system on a fair and equitable basis. Developing countries, including the transition economies, want to assume more of the benefits and obligations of full participation in the system. If they do not feel that they are part of the process, and many felt excluded in Seattle, they can block it. If an eventual round does not consider issues of importance to them, it cannot succeed.

Developing countries think that they did not get as much as they had hoped, or as economists had promised, in the Uruguay Round. At Seattle, Canada's trade minister, Pierre Pettigrew, chaired a special working party on implementation; certain themes emerged again and again. Developing countries want to ensure the full implementation by OECD countries of their Uruguay Round commitments. Having open markets at home is of little use if they are excluded from the much larger markets of OECD countries, as is the case still for agricultural products, textiles and other labour-intensive sectors. Moreover, open markets are of little help if products cannot be shipped, if distribution is weak, or if marketing is unprofessional. Many countries need help implementing their own commitments.

In the end, developing countries never got the chance to walk out in Seattle, as they did on previous occasions, but they might have. The working party on implementation made significant progress on such issues as technical assistance, but the market access and institutional issues might have led to breakdown. And the social dimension of trade remains contentious. Developing countries insist that any new issues on the agenda should be directly and clearly trade-related, but OECD countries fear that developing country markets still lack transparency, or are marked by practices with respect to labour and the environment that would not be tolerated in a developed country, and should not be tolerated internationally. The WTO cannot address all of these issues on its own. Other international organizations help countries with governance, economic regulation, competition policy, the legal system, education, social policy, the environment, although they do it in different ways with different objectives. The institutional agenda discussed above also includes improving the coherence of global economic governance though better coordination of the major economic and social organizations.

The conflict with developing countries is by far the most important challenge facing the WTO, and the one that occupied the bulk of Pierre Pettigrew's attention in the weeks after Seattle. Ensuring that the WTO plays a supportive role in development may well be the key to unblocking the system. Developing countries must see the benefits of participating in the multilateral system; the public in OECD countries must similarly see that the best way to address our own environmental, labour and human rights concerns is by the full integration of everyone rather than by the balkanization of the system.

Conclusion

The post-Seattle agenda for Canada must be both determined and creative. Our economic interests from the perspective of business, agriculture and the consumer do not benefit in any way from disengagement and abdication. Leadership here can be defined by an open discussion about Canada's interests and priorities as well as by the critical questions that need to be answered in dealing with both.

As no real progress on the next Round can be achieved until after the US elections in November 2000, there is now an excellent opportunity for public debate and engagement by governments and other groups and individuals on the priorities and choices that truly matter.